

Chief Auditor Matrix
Office of Audit Services
February 15, 2011

Board Assignment Status

Assignment Date	Request / Subject	Due Date	Status / Completed Date
December FC	Provide steps that should be taken to address aging audit findings to ensure they receive the appropriate action. Ensure the risk of not correcting outstanding findings is considered.	February meeting	<p>OFAS has worked with management to take the following steps to resolve aging audit findings. While each finding has its own specific required action, the general resolution steps are as follows:</p> <p>For each of the aged findings, OFAS and management discuss the specifics of the issue, ensure the risk is understood, and agree on the corrective action needed to resolve each finding. Management provides OFAS with evidence of implementation of corrective action. OFAS determines if the action adequately addresses the issue and if so, closes the issue.</p> <p>Alternatively, management may accept the risk of not taking corrective action based on cost-benefit or other considerations. OFAS may concur that the acceptance of risk is appropriate in the circumstances. If OFAS believes the level of residual risk may be unacceptable to the organization, OFAS would discuss with senior management, and if the concern remains unresolved, with the Finance Committee. All acceptance of risk is reported to the Finance Committee.</p> <p>OFAS will provide an update on audit finding resolution status in its Quarterly Status Report at the March Finance Committee meeting.</p>
December FC	Consider developing a self-auditing report to send to all contracting public agencies. Responses to key questions, or a failure to respond to the report, could trigger an on-site review.	TBD	OFAS is researching the feasibility of self-audits, including inquiring with other public pension systems as to any successful approaches. OFAS will work with Enterprise Workload Management Committee to ascertain feasibility.

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Other Items of Interest

Item of Interest	Status / Completed Date
<p>1. Internal Audit Activities Board-Approved Annual Audit Plan</p>	<p>To remain flexible and responsive to the fast-changing conditions in the current environment, ensure OFAS's support of key enterprise initiatives, and respond to staff vacancies and continued reduced available hours, OFAS proposes the following refresh to our audit plan:</p> <p><u>Internal Audits</u> OFAS recommends adding the following projects:</p> <ul style="list-style-type: none"> • Contract Workout Sessions • Analysis of Basic Financial Statement Preparation Process • Benefit Expense Testing <p>OFAS recommends deferring or re-scoping the following projects:</p> <ul style="list-style-type: none"> • Appeals and Grievances • Budget Management • Rate Development for Self-Funded Plans • Access Controls • Security Strategy and Policy • Contract Development for HMO, TPA, and PBM • Triennial Review – Contract and Procurement <p><u>Public Agency Reviews</u> Defer 6 public agency reviews by six months to enable the myCalPERS project to leverage PA staff's expertise in time-sensitive CAT test preparation. In addition, certain reviews in the current fiscal year required hours far in excess of the normal number of hours to complete, reducing resources available for the originally planned number of reviews. Finally, staff vacancies and reduced work hours result in a proposed reduction from the planned 79 reviews to approximately 54.</p> <p>OFAS will continue to monitor and recommend any additional modifications of the audit plan to respond to changing conditions.</p>

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2. Independent External Financial Statement Auditor	<p><u>Financial Statement Audit</u></p> <p>The Basic Financial Statements for FY 2009-2010 were approved at the November 17, 2010 Board of Administration meeting. The related management letter, containing the auditor's observations and recommendations on internal controls and operational improvements related to financial reporting, as well as management's responses to the findings, will be presented as Agenda Item 3b.</p> <p><u>Request for Proposal</u></p> <p>A request for proposal for a new financial statement auditor contract will be released in the near future. The new contract will commence January 1, 2012.</p>
3. Independent Real Estate Auditors	<p><u>Audit Status</u></p> <p>The Real Estate audit program quarterly status update as of December 31, 2010 will be included in the Quarterly Status Report at the March Finance Committee Meeting.</p>